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RUEHLO/AMEMBASSY LONDON 0146
RUEHMD/AMEMBASSY MADRID 4067
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RUEHRO/AMEMBASSY ROME 0322
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C O N F I D E N T I A L SECTION 01 OF 03 LA PAZ 001264

SIPDIS

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TAGS: [ECON](#) [KTEX](#) [BL](#) [PINV](#) [PGOV](#) [PREL](#)

SUBJECT: BOLIVIA & ATP-DEA: EXPORTING FRUSTRATION

REF: A. LA PAZ 158

[1](#)B. LA PAZ 522

[1](#)C. LA PAZ 1180

Classified By: ECOPOL Chief Mike Hammer for reasons 1.4(b) and (d.)

[1](#)1. (C) SUMMARY. The Andean Trade Preferences and Drug Eradication Act (ATP-DEA) was extended in February of 2008 for another ten months for Bolivia, Peru, Ecuador and Colombia. Although the preferences are crucial to the textiles industry, the private sector is growing tired of the exhausting lobbying efforts for even short extensions. As business leaders press for the Bolivian government to negotiate a long-term commercial agreement (preferably a Free Trade Agreement (FTA)) the government promises to expand other export markets in an effort to pull away from the United States. The statistics, however, prove that Evo's recipe for trade policy is adding to further economic turmoil. END SUMMARY.

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ATP-DEA: Short Term Solution to a Long Term Problem
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[1](#)2. (SBU) After the Senate approved the extension of ATP-DEA until December 2008, the reaction in Bolivia was mixed. The immediate relief of receiving the trade preferences was evident, as was the immediate realization that they would only last another ten months.

[1](#)3. (C) ATP-DEA predominately affects the textiles industry, and Post's sources have long complained that the continued short-term extensions help their industry very little. Bolivian textiles heavy-weight Ametex told EmbOff that although ATP-DEA is crucial for their production, they believe a long-term agreement is most practical. Marco de la Rocha, General Manager at Ametex, says that not only do short-term extensions cut into profits, they hurt the

development of the textiles industry as a whole. He says that developing "alternative markets" is extremely difficult and even more so with a ten-month ATP-DEA expiration date.

14. (C) Ametex is not the only company feeling the pressure. Alpaca business owner Gerald Fisher told EmbOff that most of his U.S. clients place their orders six to eight months out. This means that Fisher is selling goods that may or may not include a 19% tariff when delivery arrives. The uncertainty has caused many of his U.S.-based clients to place orders with Peruvian companies. "They have told me directly that Peru is a less volatile place--both politically and commercially speaking," says Fisher.

15. (C) "We could have been Peru" is a dominant theme in the speeches of economists, politicians and business leaders alike. With the prospect of a Free Trade Agreement (FTA) being implemented in Peru, many industries are criticizing the Government of Bolivia for losing the opportunity for a long-term agreement with the United States. In a speech given to local business leaders, former government economist Juan Antonio Morales emphasized that an FTA with the U.S. would be a good start to stabilizing the Bolivian economy, currently plagued by low foreign direct investment and high inflation rates.

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New Minister, Same Morales
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16. (C) Despite the private sector pleas for an FTA, the Bolivian government expresses little (or no) enthusiasm for a viable trade agreement with the U.S. (ref A,B.) In the beginning of February, only one week after DCM met with her, Minister of Production and Micro-Enterprise Celia Sosa was replaced by Javier Hurtado. Hurtado, already a contact of the Embassy through the Millennium Challenge Account, at first seemed more open to talks with the U.S. However, after further discussion, it became clear that the current difficult state of U.S.-Bolivian bilateral relations allows little space for commercial dialogue. Post has continuously been promised a concrete "long term trade agreement" proposal as a follow-up to Vice President Garcia Linera's 2006 broadly worded "eliminate poverty" paper. In a June 3 meeting, Vice Minister of Trade and Exports Huascar Ajata told EconOff that they have revised the original long term trade proposal and hope to present it to Post in the coming weeks. He also mentioned an upcoming public push for ATP-DEA extension.

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Textiles: Hanging By a Thread Without U.S.
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17. (C) One focus of Bolivian trade talk has been the expansion of export markets. Evo and his government continue to claim that while ATP-DEA is important, Bolivia will keep its textiles numbers up through other South American nations, the European Union (EU) and Japan, all key trading partners. However, Post's analysis of the export data indicates that all of the markets combined does not equal the U.S. buying power.

18. (U) THE UNITED STATES. In 2007, the U.S. imported 12.6 million kilograms of textile goods for a total price of \$19.1 million dollars. The total for all other Bolivian textile markets was \$22 million in 2007. It should be noted that both volume and value of U.S. textile imports from Bolivia have decreased over the past four years, with a nearly 40% drop in value between 2006 and 2007 alone. The numbers suggest that while there is a significant market for textiles in the United States, buyers are unlikely to continue to import from Bolivia if they must pay a 19% tariff.

19. (U) KEY SOUTH AMERICAN PLAYERS. Brazil is a key importer

of Bolivian textiles, though the numbers are significantly lower than the U.S. market. Growth rates for Brazil have averaged around 50% but its volume in 2007 was still only 660,000 kilograms for a value of \$4 million dollars. Another major import market for Bolivia is Chile. Its total imported good volume was only 880,000 kilograms with a value of \$3.4 million dollars. The average 10% growth rate for Chile over the past four years suggest only a slight increase in demand for textiles. South America as a whole only offered up \$16 million in imports, but it is a ten million dollar jump in only two years. (NOTE: Much of this can be contributed to inflated figures from Venezuela, see next para. END NOTE.)

¶10. (C) THE PEOPLE'S TRADE AGREEMENT (ALBA.) Not surprisingly, the textiles industry will not be saved by the trade alliance between Venezuela, Cuba and Bolivia. Venezuela's "miraculous" growth of over 6000% for 2007 was significantly inflated by a foreign exchange scheme and is being investigated (ref C.) Cuba imports little to no textile goods. The ALBA countries may help Bolivia in terms of political alliances but it is not helping with trade.

¶11. (U) THE EUROPEAN UNION (EU.) The EU announced that they intend to finalize a trade agreement with the Andean nations by 2009. Major markets for Bolivian goods are the UK, Italy and Germany, each importing over \$1 million dollars of goods

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in 2007. The combined total of Bolivian textile exports to the EU, however was only \$3.6 million, one-fifth of the value of U.S. imports.

¶12. (C) ASIA. Japan has long been a trade partner for Bolivia, importing a variety of textile goods. Its growth patterns, however, show a slow down in imports. Contacts at the Japanese embassy say that despite a March 2007 Evo visit to Japan, the Japanese are shifting towards imports from other Asian nations, particularly in textiles. South Korea has increased its imports of Bolivian textiles, but only reaching 15,000 kilograms for a value of \$290,000 in 2007. One player that has made a prominent jump is Hong Kong, surpassing Japanese demand for Bolivian goods, but still only barely breaking \$1 million dollars in value over the past three years combined.

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COMMENT
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¶13. (C) Although the government claims it wants a long-term commercial agreement with the U.S., it will likely not expand beyond ATP-DEA. Evo will continue to claim that his other trade plans would offset a drop in trade with the U.S., but the data clearly shows this is not the case, particularly in textiles. Although no companies have moved to date, both the Peruvian and Chilean governments have actively recruited Bolivian textile company owners to set up shop in their countries. Evo's policies, not taking into account business interests, are taking a toll on both U.S. and other foreign companies, leading to more frustration and less trade. END COMMENT.
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